

Board of Finance 4/22/13 Minutes

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BOARD OF FINANCE

REGULAR MEETING

MONDAY, APRIL 22, 2013, 7:00 P.M.

MINUTES

I. CALL TO ORDER

Chairman Thomas Harrison called the Board of Finance meeting to order at 7:04 PM at Avon Town Hall. Members present: Chairman Thomas Harrison, Vice Chairman/Secretary Thomas Gugliotti, Margaret Bratton, Catherine Durdan, Dean Hamilton and Brian Stoll. James Speich was absent. There was the presence of a quorum.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Brian Stoll.

III. COMMUNICATION FROM THE AUDIENCE

Bill Stokesbury, liaison to the Board of Education, stated that the big item this month was the proposed budget which is going to referendum. He gave an update on the Boards' financials. He stated that this month was a little odd in that the Board of Finance meeting was the day before the Board of Education's meeting. John Spang has distributed his report to Brandon late today. He stated that they are focusing on searches for key employees. There is currently a search underway for a High School Principal, Director of Pupil Services and they will be starting one up in the near future for Pine Grove School Principal.

Mr. Harrison stated that he felt that it has been very helpful to have Mr. Stokesbury in the liaison role over the past year.

IV. MINUTES OF PRECEDING MEETINGS: March 25, 2013

Minutes were not included in the meeting packets, but sent by e-mail.

On a motion by Mr. Gugliotti, seconded by Ms. Durdan, it was voted:

RESOLVED: That the Board of Finance defer review of the March 25th minutes to the next meeting.

Messrs. Harrison, Gugliotti, Hamilton, Stoll and Mmes. Durdan and Bratton voted in favor.

V. OLD BUSINESS

12/13-03 Review and Discussion: FY 13/14 Budget Process

Mr. Harrison stated that he thinks it is going very well, and that it will continue with the referendum. Mr. Stokesbury said he has heard only positive remarks; people are pleased with the number and the manner in which it was arrived at. Mr. Stoll stated that it would be really nice to see people turn out; we barely had enough turn out last year to get the budget approved, regardless of the vote. He felt this is an unfortunate statement. Mr. Harrison concurred. He added that there was only one time since we started this process that we did not get the required 9% voter turnout and it was ironic because that year had very high increases and the next year, 2002, totally out of the blue, with lower numbers it was defeated. The town meeting slides are in the packet. Final comments and changes should be received by Wednesday, May 1, before the Town Meeting. Mr. Stoll called everyone's attention to slide 3. He said one thing that is not there that he would like to add is mentioning input from the Town Council and the Board of Education. Mr. Harrison agreed.

VI. NEW BUSINESS

12/13-11 CAFR Presentation by Blum, Shapiro & Company, P.C.

Vanessa Rossito, the audit partner in charge of the Town of Avon audit was introduced. Peg Colligan

also introduced the new town accountant, Laurie Dorn. Ms. Rossito called everyone's attention to the CAFR (Comprehensive Annual Financial Report) booklet that was distributed and two other audit reports, Federal and State, and the Management letter that she will discuss in that order.

The CAFR report is organized into three sections; Introduction, Financial and Statistics. Section one has a letter about the town's history and some initiatives that are happening. It also has principal officials, some charts and a Certificate of Achievement for the previous fiscal year. In the financial section, page one and two are the only pieces that Blum, Shapiro & Company, P.C. is responsible for, the Town is responsible for the rest of the booklet. We have provided a clean or unqualified opinion on these financials statements which basically means everything according to Government Accounting Practices is fairly stated. Page three is the management's discussion and analysis which is written by management. It is a narrative of what has happened financially in the town in this fiscal year, it's the story behind the numbers. Page 17 discusses the two major funds of the Town of Avon. The General Fund experienced an increase of 1.1 million dollars which leaves an ending fund balance of 9.1 million dollars. Of that balance, 6.6 million dollars is unassigned or 8.42% of the budget. The CFIA (Capital Fund Improvement Account) account does have a negative fund balance at the end of the year of 3.5 million dollars. This is a decrease from the prior year of 3.4 million dollars. The reason for the significant decrease and negative fund balance is because long term debt has or had not been issued before June 30, 2012. Subsequent to June 30th in October, you did issue bonds of 7.1 million dollars for the Library expansion. The fund balance will turn positive for 2013.

Mr. Harrison asked for clarification for the \$190,147 on page 17 that is marked as "non-spendable" Ms. Rossito responded that this amount reflect either inventory or a pre-paid asset. This reflects new terminology as of 2011. There are five categories; non-spendable meaning it's inventory or a pre-paid expense, restricted is usually restricted by a outside agency grant or a bond, committed is an internal restriction, assigned is typically where you would see encumbrances, and finally unassigned is liquid. Mr. Stoll asked what denominator is used for the percentage calculation. Ms. Colligan responded it was expenditures and operating transfers out of the General Fund which could include Grant funds if they were assigned to this account.

Page 21 is the General Fund voluntary statement. In the first column is the original legally adopted budget. The second column is the final budget after any transfers or additional appropriations. The third column is the actual results. We compare the actual results to the final budget to get the variance column. On budgetary basis the Town of Avon's General Fund's revenue were about \$600,000 greater than budget, and the expenditures were \$225,000 less than budget for a positive return to fund balance of \$768,000. Avon did budget to use \$85,000 of fund balance to balance the final budget, but you did not need that. On pages 60 and 61 are detailed revenues and pages 62 and 63 are detailed expenditures. Pages 22 and 23 is the self insurance fund, the Internal Service Fund, the fund was pretty flat during the year. Net assets went from \$1.85 million to \$1.97 million, a slight increase of \$122,000.

Pages 25 and 26 are the Fiduciary Funds of the Town. The pension fund has net assets of \$20.2 million which is a slight decrease from the prior year of about \$500,000. There was market loss on the investments of \$434,000. The Other Post Employment Benefit Fund had net assets of \$1.7 million which is an increase from the prior year of \$300,000. The town has various agency funds. These are funds held by the town, but really do not belong to the town like the student activity account; this account has \$355,000. Page 80 has more detail for each agency fund. Mr. Stoll asked if the intent of the student activity fund is to run a positive balance or a zero balance. It was reported that this will usually have a balance because it reflect monies of the various clubs at the schools that roll over each year. Mr. Gugliotti noted that we have the summary on page 25 and the detail on page 80. He asked if in the future where there is a corresponding detail schedule, if it can be noted on the summary page. The board liked the idea, however, Ms. Rossito pointed out that it is not possible on the financial statements because it is not an approved format. Mr. Harrison asked if a separate free standing paper with the information could be provided, and he was assured it could be.

Page 66 has the detail for page 17, and page 68 has the detail for page 19.

Ms. Rossito noted that there is a new pension standard coming down the road; this is listed on page 45. GASB in fiscal 6/30/14 has a new pension standard where not only is it requiring you to record the entire pension liability in your financial statements, but it is also mandating a different way for actuaries to calculate this liability. The numbers in the table on the bottom of page 45 will change based on that new calculation. Currently Avon reflects a net pension asset because Avon contributes the exact amount requested by the actuary. Mr. Gugliotti noted that this is a good thing, because not many municipalities do this. Ms. Rossito agreed, she doesn't see it very often. The changes in GASB want to disclose what your longest term over the life of the plan is, asset or liability rather than reflecting only the current asset or liability. On page 56 it is reflected how these expected changes will alter the perception of pension plans between funded and under-funded balances as reporting shifts from currently funded to long term funded reporting.

Mr. Stoll asked if Ms. Rossito had a feel for why the actuarial value of assets has dropped so much from '08 to '09 to '10. Ms. Rossito did not, she said these are good questions to talk about with the actuaries. Mr. Stoll said that doesn't match the timing. He further asked why we didn't have a July 1, 2011 or 2012 value. Ms. Rossito said she believed the valuations are a couple of years in arrears, which the 7/1/10 applies to the 6/30/2012. She stated that there might be another one done, but that it is not required to be disclosed in this document. Mr. Stoll stated that he wondered if our assets are where they should be if they are having that kind of negative performance. Mr. Robertson added that he thinks it is not only a function of the assets, but that we have had several recent retirements as well. Mr. Harrison asked Brandon to prepare a report for the next meeting expanding on the factors affecting the DB pension plan assets.

Mr. Stoll asked if Ms. Rossito has a sense of when the new actuarial formula would be out. She did not know, but recommended Mr. Stoll contact Milliman, our consultant group.

She stated the Federal Single Audit Report, pages 4, 5 and 6 list grants from the Federal government the town has received. Two of the grants were subjected to required testing and that can be seen on page 10. A clean opinion on compliance and internal controls for those grants was issued. On the State Single Audit Report, it's a similar format, the grants are listed on pages 4, 5 and 6. Page 10 lists the testing and a clean opinion on compliance and internal controls was issued. The auditors did note a significant deficiency in financial reporting. It was a combination of two things that happened at the town that caused the audit to be delayed and items not to be reconciled. One was the loss of a long standing employee who had a lot of responsibility and a lot of the procedures in his head coupled with the implementation of the new accounting software system. Recommendations include a written procedure manual as well as procedural review. This can be seen on page 12. Mr. Stoll commented that we were very vulnerable to a key employee leaving. He noted that with Peggy, we potentially face the same situation. He asked if this has been addressed. Ms. Rossito stated that she believes that this can be addressed in the detailed procedures manual. This manual has to be a living, breathing document.

Peggy stated that there has been an initial meeting with the audit team, and one with the IT functional area. Members of Blum, Shapiro & Company, P.C. will consult for best practices. There will be an associated cost. Ms. Rossito assured the Board that although this information will have to be disclosed for five years on our financial documents, it is explainable and should have no impact on our credit rating. The act of requesting the extension triggered the required disclosure.

Mr. Hamilton was concerned with the lack of accounting experience by our accounting software vendor. Ms. Colligan elaborated that with any vendor, when the help desk is contacted some individuals are more experienced in some areas than others are within the organization.

The other note in the management letter is that the Board of Education gave an end of the year list of encumbrances (reservation of funds) and some of those items should have been accounts payable (already received the goods or services). In the future it is recommended that encumbrances and accounts payable be listed separately. Mr. Spang verified that this should not be an issue going forward.

#### 12/13-12 Response to Audit comments and recommendations to Management

Mr. Robertson stated that the most important thing going forward is to get this accounting manual procedures completed. We have a template in place for the budget book that can serve as a model. A draft of the manual should be ready by the fall, stated Ms. Colligan.

#### 12/13-13 Appointment of Auditor

Ms. Colligan stated that Blum, Shapiro & Company, P.C. is on a retainer, but we need to approve them on an annual basis.

On a motion by Mr. Gugliotti, seconded by Mr. Hamilton, it was voted:

RESOLVED: That the Board of Finance hereby approves the audit firm, Blum, Shapiro & Company, P.C., to come in to audit the town's books for the current fiscal year 2012-2013

Messrs. Harrison, Gugliotti, Hamilton, Stoll and Mmes. Durdan and Bratton voted in favor.

#### 12/13-14 Supplemental Appropriation-Emergency Management Performance Grant

Mr. Robertson stated that we have received this grant for the last ten years and we have always dealt with it on a supplemental appropriation basis. This is money that we have actually received \$8,600 for the EMPG grant and there is an additional \$1,200 for reimbursement for costs for our participation in the fall 2012 hurricane drill sponsored by the State.

This matter was postponed to the next meeting pending clarification from James DiPace.

#### 12/13-15 Supplemental Appropriation-Hydraulic Life Overhead Cranes

Mr. Robertson said that the lift equipment has been tagged out of service for over a month. The two cranes date back to the 1970's, they are about \$2,500 each. The cranes are used to suspend heavy objects.

On a motion by Ms. Bratton, seconded by Mr. Gugliotti, it was voted:

RESOLVED: That the Board of Finance hereby appropriates a sum not to exceed \$25,000 from Account #01-0390-43913, General Fund, Other Financing Sources, Unassigned Fund Balance with the intended source General Fund Fund Balance Assigned for Capital Asset Replacement and transfer from Account #01-8700-58000, General Fund, Other Financing Uses, Interfund Transfers Out.

To

Account #02-4844-53073, Capital Projects Fund (Facil & Equip), Town CIP – Equipment, Ground Lift and Cranes, and Account #02-0390-43918, Capital Projects Fund (Facil & Equip), Other Financing Sources, Interfund Operating Transfers In, in the amount of \$25,000 to purchase a Ground Lift and two Overhead Cranes.

Messrs. Harrison, Gugliotti, Hamilton, Stoll and Mmes. Durdan and Bratton voted in favor.

### VII. TOWN MANAGER'S REPORT

#### A. Monthly Financial Report Summary

Peg Colligan stated that this is for the period ending 2/28/13. Not a lot has changed since the last monthly report. Revenues are still strong in the same areas that we have talked about. Our collections are very strong. Licenses, Fees & Permits is running ahead of 100% due to activity in the Building Department. We see this continuing for March into April. Intergovernmental and Charges for Services continue to track behind projections as expected. We do tend to see these grants coming in during the last quarter of the fiscal year from the State. We don't expect to see any major holes in the Intergovernmental area; we expect to come in on budget. In Charges for Services we are running a bit behind, but this stems toward the fact that budgeted revenue expenditures for the current fiscal year are much higher now that we are including the Board of Education Revenues that formerly were not. It skews that percentage collected.

Mr. Stoll asked if for the year 2013-2014, if we will have a better handle on where we expect the revenues to come in for this category. Ms. Colligan replied that it is hard to say. As Mr. Stokesbury added, we don't control the State funding. Mr. Stoll stated he understood, but expected that this year would provide a track record for when payments were actually received. Mr. Stokesbury stated that this is not new to the Town; it is just new for reporting. The Board of Educations had consistently budgeted

for and tracked these State funds.

Other Local Revenue, the largest component of this category is interest income. One time revenue is also accounted for here. This category can fluctuate from year to year. We may come in slightly short in the category. The FEMA appropriations are now reflected in Fund Balance. The town is at 65% expended are no unexpected events. Janitorial is a little over, but this is not new and we will be able to cover that. Public Safety is also experiencing over expenditures in Patrol Services and we have a plan to cover this as well.

Responding to a question from Mr. Stoll, Mr. Robertson stated that we had to terminate our existing janitorial service contract back in October. This was the next lowest qualified bidder.

Ms. Bratton asked questions about the encumbrances on the Board of Educations financials. Mr. Stokesbury stated that he could get the answers for her.

Miscellaneous Updates

Mr. Robertson there were no additional updates.

#### VIII.OTHER BUSINESS

There was none.

#### IX.EXECUTIVE SESSION:

There was none.

#### X. ADJOURN

On a motion by Mr. Stoll, seconded by Ms. Durdan, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 8:30 p.m.

Messrs. Harrison, Gugliotti, Hamilton, Stoll and Mmes. Durdan and Bratton voted in favor.

Respectfully Submitted,

Thomas A. Gugliotti, Secretary

Attest: Mary Marinello, Clerk